

**WORK SESSION
OF THE BRIGHAM CITY COUNCIL
TO DISCUSS OPTIONS FOR FINANCING RESIDENTS
WANTING TO CONNECT TO FIBER OPTICS
FEBRUARY 4, 2010
6:00 P.M.**

PRESENT:	Dennis Fife	Mayor
	Bruce Christensen	Councilmember
	Scott Ericson	Councilmember (<i>arrived at 6:10 pm</i>)
	Ruth Jensen	Councilmember
	Bob Marabella	Councilmember
	Tyler Vincent	Councilmember

ALSO PRESENT:	Mary Kate Christensen	City Recorder
	Paul Larsen	City Planner
	Bruce Leonard	City Administrator
	Jason Roberts	Finance Director
	Deniece Roche	City Treasurer

Options for Customers to Pay for UTOPIA Up Front

Mr. Roberts came forward and said staff has reviewed options to allow new subscribers to get fiber to their home and how the City can pay for it and how much to charge the subscribers.

The first option is if the subscriber wants to pay up front. Customers would pay the same amount the first group paid, or \$2,760, plus the annual rate of the bonds (5.5%) each month. For example, if a resident signed up for UTOPIA in February 2010, the total amount charged would be \$2,785.30 ($\$2,760 = (\$2,760 \times 5.5\% \times 2 \text{ months since December 2009} / 12 \text{ months annually})$).

Councilmember Marabella said the City's cost is really not 5.5%. The bond is 5.5%, but the money subscribers have paid is not getting 5.5% interest in the bank. Mr. Roberts said it is the cost the City would pay if it was done with a bond. Councilmember Christensen said it is difficult to compare the two. He didn't think the bond should have anything to do with how much new subscribers are charged.

Mayor Fife said the City has used the first subscribers' money for six months. They could have been earning interest on the \$2,760. New subscribers should pay more because of that.

Councilmember Ericson suggested calculating the return the City is getting plus 1%.

Mr. Leonard said the original loan amount that subscribers were going to pay up front was \$3,000. They received the benefit of paying up front because a reserve fund did not have to be created. Those that paid on the bond gained the discount. He felt there was justification to charge new subscribers \$3,000 because they are not entitled to the same discount.

Mayor Fife added that the Council also needs to consider what will be the easiest to get more people to sign up. For each person that signs up, it will lower the cost for everybody and the bond will be paid off faster.

MOTION: Councilmember Marabella made a motion to support the recommendation presented by Mr. Roberts of charging new UTOPIA customers \$2,760 plus a 5.5% interest from December 2009. The motion was seconded by Councilmember Vincent and unanimously carried.

Options for Customers to Finance to Bring Fiber to their Residence

Mr. Roberts proposed that the City finance the cost to bring fiber from the curb to the house. This would not be the full \$3,000 financed in the original assessment. The customer would then pay the City back the entire \$3,000. This would include a reserve amount set aside to cover non-payments, consistent with the bond terms. In addition, he suggested changing the term of the loan so it would be paid off the same time as the bond. Beginning July 2010 the amount financed by customers would increase each month by the annual rate of the bonds (5.5%).

Councilmember Ericson said the only way UTOPIA will be successful is if people sign up for it. If the cost is too high it is a disincentive.

Councilmember Christensen did not think there was any reason to add money onto a financing program because it is not costing the City any money. Mr. Roberts said it is because the City is up fronting the money.

Councilmember Marabella expressed concern with the City getting into the financing business. He felt subscribers should finance from private companies. Mayor Fife said citizens have the option of borrowing from private companies. Councilmember Christensen said they could not borrow it over 20 years. Councilmember Marabella did not feel the City is in a financial situation to start loaning citizens \$3,000. Mayor Fife said there is \$760,000 that needs to be reallocated. One way of financing this is to finance 100 people and get \$3,000 over time. \$100,000 would allow approximately 100 people to sign up to make UTOPIA successful. If they have to get their own financing, people aren't going to do it.

Councilmember Ericson said he was not concerned about the City up fronting the money until there is a critical mass to issue another bond. If the City up fronted the money and then when there was enough money to bond for the \$3,000 per person, it is the same principle, but the City will be the bridge to make it work. Mayor Fife added that the City will have to continue to be the bank for UTOPIA until there are enough people signed up.

MOTION: Councilmember Ericson made a motion to charge new subscribers \$3,000 with a 5.5% interest, but no interest charged for the period from December 2009 to the time they sign up, and bring it back to the Council on January 2011, and adjust the period to retire the same time as the bond. Councilmember Marabella seconded the motion, unanimously carried.

Amendment to Assessment Ordinance

Mr. Roberts said the City would have the subscribers sign a modified waiver and consent form which would allow the City to put a lien on their property. The assessment ordinance would have to be amended to include these individuals.

Recommendation to Reconcile of How Much Less Fiber Optics is Costing the City and adjust Participants Accordingly

Mayor Fife said it has been recommended by the Bond Counsel that the City reconcile the bond payments every year to figure how much money is in the account and how much it is costing the City, and if it can be adjusted. Mr. Roberts would bring the report to the Council on a yearly basis.

Requests to Opt Out of Fiber Optics

Mayor Fife said the City has received several requests to opt out. One individual only has a TV, no computer. He has five TVs and it is going to cost him more per month than he is already paying. He would like to opt out. Others are going to move and would like to transfer it to their new house. Councilmember Marabella said it would be better for the realtors if it can be transferred if it hasn't been hooked up. Councilmember Christensen said there is a collateral document that has certain legal descriptions on it. If the description has to be changed it will make the bond holders really nervous.

Mayor Fife suggested the City take all the requests to opt out and tell UTOPIA not to hook them up, then at the end of the build out assess how many requests there are to opt out and how many requests to hook up and then make a decision. This would allow a better assessment of what can be done.

Councilmember Christensen cautioned against being too subjective. For example, if someone is allowed to opt out because they are 95 years old and did not know what she was signing, but not someone else who is 90. Mr. Roberts said financially, there is a difference if they are moving from one part of town to another.

As far as those wanting to opt out because they lost their job, Councilmember Christensen said it would be no different than any other loan they have. Councilmember Marabella added that letting them opt out is giving the obligation to the other citizens because all citizens would have to pay for their share because the bond payment still needs to be made.

Councilmember Marabella suggested Mr. Roberts categorize each request and write a recommendation on each one. Mr. Roberts said the only one that is not going to have a financial impact is if it hasn't been hooked up to their house yet and they are moving and want it hooked up to their new house. Councilmember Marabella added that it needs to be very clear why the City is justifying that situation and not another one. Mr. Roberts will prepare the list and bring it back to the Council.

Councilmember Marabella said another situation that might come up is if someone has paid the \$2,760 and is hooked up, then sells their house, would they be required to pay the \$2,760 again. Mr. Roberts will also look at this scenario.

A motion to close the work session was made by Councilmember Ericson, seconded by Councilmember Jensen and unanimously carried. The meeting adjourned at 6:57 pm.